

**Minutes**  
**CALIFORNIA SCHOOL FINANCE AUTHORITY**

**Meeting of the Board**  
**Tuesday February 24, 2004**  
**2:00 P.M.**

**915 Capitol Mall, Room 587**  
**Sacramento, California 95814**

**1. Roll Call**

Deputy State Treasurer Barbara Lloyd, serving as chairperson, called the meeting to order.

**Members**

**Present:** Barbara Lloyd for Phil Angelides, State Treasurer  
Bob Campbell for Donna Arduin, Director of Finance  
Duwayne Brooks for Jack O’Connell, Superintendent of Public Instruction

**Staff:** Katrina Johantgen, Acting Executive Director

**2. Approval of Minutes**

It was recommended that this agenda item be taken out of order. It was taken after roll call, and the minutes of June 11 – 13, 2004 were adopted as submitted.

**3. Executive Director’s Report**

Ms. Johantgen introduced CSFA staff.

Program concepts were discussed that were brought to CSFA’s attention by Duwayne Brooks – the first of which was the issue of Qualified Zone Academy Bonds (QZABs). Ms. Johantgen provided a brief explanation of QZABs, and explained that in California the allocation of QZABs is awarded through the California Department of Education on a lottery basis. During the last QZAB allocation cycle, a charter school was awarded an allocation and is not able to issue the QZAB on its own behalf and is seeking issuance of bonds through CSFA. Board members, CSFA staff and members of the public discussed the issue.

Ms. Johantgen provided a report on Assembly Bill 2724 (Laird), that will be adding the term “charter school” to the definition of participating district in CSFA’s statute. Board members discussed what alternatives are currently available to facilitate the issuance of the QZABs [for charter schools]. Ms. Johantgen referenced CSFA staff’s discussion with the I-Bank (“California Infrastructure and Economic Development Bank”), which does serve as a conduit issuer. Ms. Johantgen added that she believes that entity can issue bonds on behalf of charter schools.

Members of the public were in attendance and voiced their support for the ability of CSFA to issue bonds (including QZABs) on behalf of charter schools.

No action was taken. Staff will report back to the board regarding this issue when/if any action is required.

Ms. Johantgen discussed a new category of private activity bond allocation tax-exempt bonds for public school facilities constructed by private developers. Ms. Johantgen reported that staff would come back to the board in April with some further details regarding this financing program idea – how it might look, who might access, etc.

#### **4. Update of Due Diligence Activities for the 2003 Charter School Facilities Program Preliminary Apportionments**

Candice Meigs provided an overview of staff's progress to date on the due diligence requirement. She stated that CSFA required those recipients of program funding to provide regular updates on key areas of the schools financial and operating conditions. She added that staff is currently evaluating all the information that was submitted and a draft staff report is included in your board packet for your review. Ms. Meigs stated that at this time staff is requesting any comments on the approach being taken.

Ms. Lloyd clarified what was included in the packet is a form of the due diligence report using one of the schools as an example.

Mr. Brooks expressed concern about the proper weight of academic performance in CSFA's evaluation of applicants. A discussion ensued regarding the degree to which academic performance data should be used by CSFA to support its financially sound determination.

Ms. Lloyd offered some observations regarding the issue. Ms. Lloyd said that staff should make sure that there is a high correlation between the information and the affect it has on financial conditions.

Brad Strong of Ed Voice added that AB 1137 did put in place several academic criteria for charters to meet in order to be considered for renewal. He highlighted the various aspects of AB 1137 that related to the discussion.

Ms. Johantgen stated that staff would consider these matters as the due diligence reports are being finalized.

#### **5. Update and Consideration of Implementation of Facilities funding Limits Pursuant to Senate Bill 15**

Ms. Johantgen provided an overview of the per project cap proposal.

Ms. Lloyd clarified that the proposal was the OPSC's staff proposal which will be taken to SAB's meeting for action tomorrow. The CSFA action today is essentially to comply with the statutory requirement that caps be adopted in conjunction with CSFA.

Members of the public provided their thoughts on the proposal process, indicated their overall support, and urged the board to approve the item.

Mr. Brooks asked about OAL's acceptance of our regulations in light of the Governor's moratorium on such matters. Ms. Lloyd observed that these limitations would not appear in CSFA's regulations – that they will only appear in SAB-OPSC regulations. Linda McAtee, General Counsel to the State Treasurer's Office, stated that it is her understanding that as long as the entities make an assessment that new regulations do not adversely affect business, they do not have to get advance approval from the Governor's office or OAL, and provided an anecdote regarding another authority within the STO.

Bob Campbell added that the Governor's Executive Order applies only to regulations that were in process prior to the Governor taking office November 17, and that new regulation packages are not covered by the executive order and not subject to Department of Finance prior approval.

There being no other public comments, Ms. Lloyd moved to approve staff's recommendation, Mr. Brooks seconded and the item was approved unanimously.

#### **6. Resolution No. 04-01 Approving the Distribution of the Draft Form of Charter School Facilities Program Emergency Regulations**

Ms. Johantgen highlighted the substantive changes to existing regulations. She discussed that the changes include language that: allows for the transferability of charter school management expertise to meet the two academic year requirement; provides for the transferability of public school operational experience by a school district or county office of education applying on behalf of a charter school to meet the two academic year requirement; pertains to CSFA's ongoing monitoring of applicants' financial soundness; pertains to the use of a guarantor and information required regarding guarantor; the authority's responsibility to make a determination whether an applicant is financially sound prior to an applicant receiving an advanced apportionment from the board. Ms. Johantgen also noted that the Program application has been removed from the regulations. The application is now a stand-alone document, and changes to the application form can be made as necessary without having to adopt revised regulations.

Mr. Brooks stated that the staff did a fine job.

A member of the public asked who had the regulations and it was stated that they would be posted to the CSFA web site. It also was noted that the deadline for public comments is March 10, 2004.

Mr. Brooks moved that we accept staff's recommendation to public the regulations for public comment, and the item was seconded and adopted.

Ms. Lloyd stated that comments on the regulations should go to CSFA staff, and then staff will bring the comments and regulations to the board at the next meeting.

The meeting was adjourned at 2:55p.m.